

FORM 700

GEORGIA PARTNERSHIP

INCOME TAX RETURN

AND INSTRUCTIONS FOR 2003

FROM THE COMMISSIONER

This booklet is designed to provide information and assist partnerships in filing their Georgia partnership tax returns. On Page 2 is a "Federal Tax Changes" section that I recommend you review to determine if the changes affect your return.

This booklet contains the forms and schedules required by most partnerships. If you need additional forms, we encourage you to visit our web site at www.gatax.org. There you can download forms and always obtain up-to-date tax information and news from the Department of Revenue. Forms are also available via fax-on-demand at 404-417-6011. A listing of useful telephone numbers is on Page 4.

Our mission and commitment is to serve Georgia's taxpayers in a prompt, courteous and professional manner and to effectively and fairly administer the State's tax laws. We welcome your comments and suggestions on how to more effectively accomplish this mission.

Bart L. Graham
Commissioner

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GENERAL INSTRUCTIONS

FEDERAL TAX CHANGES

Job Creation and Worker Assistance Act of 2002. Georgia has adopted the provisions of this act (as they relate to the computation of Federal adjusted gross income and Federal taxable income) for taxable years beginning on or after January 1, 2003, except I.R.C. Section 168(k) (30% bonus depreciation) and Section 1400L (tax benefits for the New York Liberty Zone) are treated as if they are not in effect.

The change in the net operating loss carry-back period to five years included in this act only applied to taxable years ending in 2001 and 2002; therefore, it is not applicable to taxable years beginning on or after January 1, 2003. For tax years beginning before January 1, 2003, Georgia did not adopt the five year carry-back and continued to use the two year carry-back (with special rules for farmers and casualty losses) as provided under the old Federal law.

Jobs and Growth Tax Relief Reconciliation Act of 2003. Georgia has not adopted any of the provisions of this act.

Some of the changes in this act include the increase of special first-year bonus depreciation to 50%, increase in Section 179 depreciation to \$100,000, and a delay in making corporate estimated tax payments for September. As is stated above, Georgia has not adopted any of these provisions.

Depreciation Differences. Depreciation differences due to the 2002 and 2003 Federal acts mentioned above should be handled in the following manner. If the taxpayer has depreciation differences that are attributable to both the 2002 and 2003 Federal acts, it is not necessary to make a separate adjustment for each act.

A. Depreciation must be computed one way for Federal purposes and another way for Georgia purposes. To compute depreciation for Federal purposes, taxpayers should use the 2003 IRS Form 4562 and attach it to the Georgia return. This amount should be entered on Page 2, Schedule 4, Line 4 along with the words "2002 JCWA/2003 JGTRRA Depreciation Adjustment".

B. Depreciation must also be computed for Georgia purposes. Taxpayers should use the Georgia Form 4562 to compute depreciation for Georgia purposes and attach it to the Georgia return. This amount should be entered on Page 3, Schedule 5, Line 2 along with the words "2002 JCWA/2003 JGTRRA Depreciation Adjustment". Georgia Form 4562 and the related instructions can be obtained from our website at www.gatax.org or from any Revenue Office.

Additionally, any depreciation differences will affect the calculation of gain when the property is sold.

All partnerships should notify their partners of adjustments that need to be made on the partner's return due to the 2002 and 2003 Federal acts.

2003 LEGISLATION

Information about 2003 legislative changes is available on our website at www.gatax.org.

FREQUENTLY ASKED QUESTIONS

Frequently asked questions regarding corporations, S corporations, partnerships, LLC's, and nonresident withholding are available on our website at www.gatax.org/departments/dor/inctax/webfaq/faq-corp.shtml#genlquest.

FILING REQUIREMENTS

A partnership, limited liability company, syndicate, group, pool, joint venture and unincorporated organization which is engaged in business or deriving income from property located in Georgia or has members domiciled in Georgia, and which is required to file a Federal Income Tax return on Form 1065, is required to file a Georgia Income Tax return on Form 700.

WHEN AND WHERE TO FILE

Form 700 must be filed on or before the 15th day of the fourth month following the close of the taxable year. Mail the form to: Georgia Department of Revenue, P.O. Box 740315, Atlanta, Georgia 30374-0315.

If you list a credit on Form 700, Schedule 2, mail your return to: Georgia Department of Revenue, P. O. Box 49431, Atlanta, Georgia 30359-1431.

EXTENSION

We will accept the Federal extension or the taxpayer may request a Georgia extension using Form IT-303.

FEDERAL AUDIT

If the Internal Revenue Service has adjusted net income within the last 5 years, a detailed statement of such adjustments must be submitted under separate cover to:

GEORGIA INCOME TAX DIVISION
P.O. BOX 740315
ATLANTA, GEORGIA 30374-0315

AMENDED RETURNS

If, after a partnership files its return, it becomes aware of changes it must make, the partnership should file an amended Form 700. Check the amended box on Form 700 and submit an amended K-1 for each partner and a copy of the amended Federal partnership return if applicable.

RELATION TO THE FEDERAL RETURN

The Georgia return is correlative with the Federal return in most respects (see note in column one about Federal tax changes). The accounting period and method for the Georgia return must be the same as the Federal.

A copy of the federal return and all supporting schedules must be attached to the Georgia return.

ADJUSTMENTS TO FEDERAL INCOME (Schedules 4 and 5)

To determine the total income for Georgia purposes, certain additions and subtractions as provided by Georgia tax laws are included in the Schedules 4 and 5 computations. The total additions to Federal Income should be shown on Line 9 of Schedule 7, and listed in Schedule 4. The total subtractions

GENERAL INSTRUCTIONS (continued)

from Federal income should be shown on Line 11 of Schedule 7, and listed in Schedule 5. The more commonly used items are listed in each schedule. **Additionally, adjustments due to federal tax changes should be reported as stated in column one of this page.**

Any expense which is subject to further limitation (e.g. Section 179 Deduction, Charitable Contributions, etc.) is not deductible in the calculation of total income for Georgia purposes. However, these expenses may be deductible on the partner's income tax return.

Where salaries and wages are reduced in computing Federal taxable income because a federal jobs tax credit has been taken which required, as a condition to the use of the federal jobs tax credit, the elimination of salary and wages deduction, the eliminated salary and wage deduction shall be subtracted from Georgia taxable income.

Regulation 560-7-7-.05 defines the term "federal jobs tax credit". This indicates that the term includes all those credits that, by virtue of Section 280C(a) of the Internal Revenue Code of 1986, require the disallowance for federal income tax purposes of a deduction for wages and salaries. At this time, this includes the Work Opportunity Credit, the Empowerment Zone Employment Credit, and the Indian Employment Credit.

TAXPAYERS WHO ARE PARTIES TO STATE CONTRACTS MAY SUBTRACT FROM FEDERAL TAXABLE INCOME OR FEDERAL ADJUSTED GROSS INCOME 10% OF QUALIFIED PAYMENTS TO MINORITY SUBCONTRACTORS OR \$100,000, WHICHEVER IS LESS, PER TAXABLE YEAR.

A list of certified minority subcontractors will be maintained by the Commissioner of Administrative Services for the Revenue Department and general public. (To register your business as a minority subcontractor or to view the list, call 404-656-6315 or visit www3.state.ga.us/departments/doas/pu/pummnr.html).

INCOME APPORTIONMENT AND ALLOCATION (Schedules 6 and 1)

If any Partnership, domestic or foreign, is doing business or receiving income both within and without Georgia, the average ratio as computed in Schedule 6 should be used to compute Georgia Net Income in Schedule 1. If the business income of the partnership is derived from property owned or business done within this State and in part from property owned or business done without this State, the tax shall be imposed only on that portion of the business income which is reasonably attributable to the property owned and business done within this State, to be determined as follows:

(1) Interest received on bonds held for investment and income received from other intangible property held for investment are not subject to apportionment. Rentals received from real estate held purely for investment purposes and not used in the operation of the business are also not subject to apportionment. All expenses connected with the interest and rentals from such investments are likewise not subject to apportion-

ment but must be applied against the investment income. The net investment income from intangible property shall be allocated to Georgia if the situs of the partnership is in Georgia, or the intangible property was acquired as income from property held in Georgia, or as a result of business done in Georgia. The net investment income from tangible property in Georgia shall be allocated to Georgia.

(2) Gains from the sale of tangible or intangible property not held, owned or used in connection with the trade or business of the partnership nor for sale in the regular course of business shall be allocated to this State if the property sold is real or tangible personal property situated in this State, or intangible property having an actual situs or a business situs within this State. Otherwise the gains shall not be allocated to this State.

(3) Net income of the above classes having been separately allocated and deducted, the remainder of the net business income shall be apportioned as follows:

THREE FACTOR FORMULA

(a) Property Factor. The property factor is composed of the average value of real and tangible personal property owned or rented and used during the taxable year. Property owned is valued at its original cost. Property rented is valued at eight times the net annual rental rate. The net annual rental rate is the annual rental rate paid less any annual rental rate received from any subrentals. Averaging with respect to rented property is achieved automatically by the method of determining the net annual rental rate of such property.

(b) Payroll Factor. The payroll factor is the ratio of all salaries, wages, commissions, and other compensation paid by the taxpayer in this State for personal services performed by employees in connection with the trade or business of the taxpayer during the taxable year to the total salaries, wages, commissions, and other compensation paid by the taxpayer for personal services performed by employees in connection with its entire trade or business, wherever conducted during the taxable year. Payments made to an independent contractor or any other person not properly classified as an employee are excluded. Compensation is paid in this State if the employee's service outside Georgia is incidental to the service performed in this State or some of the service is performed in Georgia and the base of operations from which the service is directed is in this State, or some of the service is performed in Georgia and the base of operations from which the service is directed is not in any state where some part of the service is performed but the employee's residence is in Georgia.

(c) Gross Receipts Factor. The gross receipts factor is the ratio of gross receipts from business done within this State to total gross receipts from business done everywhere. Receipts shall be deemed to have been derived from business done within this State only if received from products shipped to customers in this State or delivered within this State to customers. The purpose of the gross receipts factor is to measure the marketplace for the taxpayer's goods and services.

GENERAL INSTRUCTIONS (continued)

When receipts are derived from the sale of tangible personal property, receipts shall be deemed to have been derived from business done in this State if they were received from products shipped to customers in this State or products delivered within this State to customers.

When receipts are derived from business other than the sale of tangible personal property, receipts shall be deemed to have been derived from business done in this State if they were received from customers within this State or if the receipts are otherwise attributable to this State's marketplace.

(d) The three apportionment factors shall be weighted 25% to property, 25% to payroll and 50% to receipts. If the denominator for either the property or payroll factor is zero, the weighted percentage for the other will be 33-1/3% and the weighted percentage for the receipts factor will be 66-2/3%. If the denominator for the receipts is zero, the weighted percentage for the property and payroll will change to 50% each. If the denominators for any two factors are zero, the weighted percentage for the remaining factor will be 100%. **Fill in the applicable percentage in Schedule 6, Part 2, column d.**

(e) For the purpose of this section, the word "sale" shall include the extraction and recovery of natural resources and all processes of fabricating and curing.

(f) Apportionment of Income; Business Joint Venture and Business Partnerships. A corporation which is involved in a business joint venture, or is a partner in a business partnership, must include its pro rata share of the joint venture or partnership property, payroll and gross receipts values in its own apportionment formula.

COMPUTATION OF TOTAL INCOME FOR GEORGIA PURPOSES (Schedule 7)

Schedule 7 reflects flow through income from the federal return which is taxable to the individual partners. A resident partner is required to report his full share of partnership income or loss. A nonresident partner is required to report only his share of the Georgia apportioned and allocated income.

PAYMENTS MADE TO A PARTNER FOR SERVICES RENDERED OR INTEREST ON CAPITAL CONTRIBUTIONS ARE NOT DEDUCTIBLE IN COMPUTING THE NET INCOME OF THE PARTNERSHIP.

Schedule 7 is similar to the Federal Schedule K. Enter the total amounts from each category on Schedule 7 where applicable.

INCOME TO PARTNERS (Schedule 3)

This schedule provides space for showing identifying information and distributable income to the individual partners.

Enter for each partner*: 1. Name 2. Street and Number 3. City, State and Zip Code 4. Social Security or Federal Identification Number 5. Profit (Loss) sharing ratio 6. Georgia Source Income.

***IF THE PARTNERSHIP HAS MORE THAN 5 PARTNERS, ATTACH A SEPARATE SCHEDULE FOR THE ADDITIONAL PARTNERS IN THE SAME FORMAT.**

A PARTNERSHIP WITH NUMEROUS PARTNERS MAY AVOID FILING K-1s IF IT AGREES TO PROVIDE THEM UPON REQUEST.

TOTAL GEORGIA SOURCE INCOME MAY BE DIFFERENT THAN THE TOTAL NET INCOME DUE TO THE FACT THAT SOME OF THE PARTNERSHIP INCOME (e.g., Guaranteed Payments) MAY NOT BE BASED ON THE PROFIT SHARING RATIO, OR THE PARTNER IS A GEORGIA RESIDENT. SEE EXAMPLE ON PAGE 6.

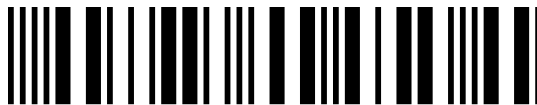
ADDITIONAL INFORMATION

UNDER CERTAIN CIRCUMSTANCES, INCOME RECEIVED BY A NONRESIDENT PARTNER OF A RESIDENT PARTNERSHIP MAY BE EXEMPT FROM GEORGIA INCOME TAX. REFER TO O.C.G.A. §48-7-23 AND 24. SEE PAGE 6 FOR MORE INFORMATION.

EFFECTIVE JANUARY 1, 1994, WITHHOLDING IS REQUIRED ON NONRESIDENT PARTNERS OR, AS AN ALTERNATIVE, FORM IT-CR COMPOSITE RETURN MAY BE FILED. PERMISSION TO FILE A COMPOSITE RETURN IS NOT REQUIRED. SEE PAGE 6 FOR MORE INFORMATION.

TELEPHONE ASSISTANCE

Centralized Taxpayer Registration Unit	(404) 417-4490
Employee Withholding Information	(404) 417-3210
Income Tax Forms	(404) 417-6011
Income Tax Division	(404) 417-2400
Compliance Division	(404) 417-6303

Georgia Form 700 (Rev. 8/03)Partnership Tax Return
Georgia Department of Revenue
Income Tax Division**2003** (or other taxable year)

0401704011

MAIL TO:Georgia Department of Revenue
P.O. Box 740315
Atlanta, Georgia 30374-0315**If Listing Credits on Schedule 2:**Georgia Department of Revenue
P.O. Box 49431
Atlanta, Georgia 30359-1431

Beginning _____ 20____, and Ending _____ 20____

☐ Original Return ☐ Amended Return ☐ Final Return ☐ Change of Address ☐ Composite Return Filed

A. FEI Number	Name		Location of Books for Audit (city & state)	
B. Ga. W/hold. Tax Acct. No.	Number and Street			Telephone Number
C. Ga. Sales Tax Reg. No.	City or Town	State	County	*County Code No. Zip Code
D. Name & address on last year's return if different from above. If no return was filed last year, state reason.				
E. Business Code No. shown on Federal Return	F. Kind of Business		G. Basis of this return () CASH () ACCRUAL () OTHER	
H. Indicate latest taxable year (within last 5 years) adjusted by Internal Revenue Service		I. Number of Partners	J. Do you have Non-Resident Partners () Yes or () No	

*See Page 5 for a list of Georgia county code numbers.

COMPUTATION OF GEORGIA NET INCOME

(ROUND TO NEAREST DOLLAR)

SCHEDULE 1

1. Total Income for Georgia purposes (Line 12, Schedule 7)
2. Income allocated everywhere (Attach Schedule)
3. Business income subject to apportionment (Line 1 less Line 2)
4. Georgia ratio (Line 4, Schedule 6, Part 2)
5. Net business income apportioned to Georgia (Line 3 x Line 4)
6. Net income allocated to Georgia (Attach Schedule)
7. Total Georgia net income (Add Line 5 and Line 6)

1.	
2.	
3.	
4.	
5.	
6.	
7.	

DECLARATION

I/we declare under the penalties of perjury that I/we have examined this return (including accompanying schedules and statements) and to the best of our knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

 Signature of Partner
 (Must be signed by partner)

 Signature and ID number of preparer other than partner or member

 Date

 Date

GEORGIA BUSINESS CREDITS

(ROUND TO NEAREST DOLLAR)

SCHEDULE 2

These are for information purposes only and do not affect Schedules 1 or 3-7. See Pages 7 and 8 of the instructions for a list of available credits and their applicable codes. You must list the appropriate credit type code in the area provided. If you claim more than ten credits, enclose a schedule. Enter the schedule total on Line 11. List the percentage of credit claimed in the percent (%) column.

Credit Type Code	Company Name	FEIN	%		Amount of Credit
1.				1.	
2.				2.	
3.				3.	
4.				4.	
5.				5.	
6.				6.	
7.				7.	
8.				8.	
9.				9.	
10.				10.	
11. Enter the total from attached schedule(s)				11.	
12. TOTAL ALLOWABLE GEORGIA BUSINESS CREDITS FOR THE YEAR				12.	

Attach the appropriate form or a detailed schedule for each credit claimed (See pages 7 & 8 of the instructions for additional information)

INCOME TO PARTNERS

(ROUND TO NEAREST DOLLAR)

SCHEDULE 3

(1.) Name (2.) Street and Number		(3.) City, State and Zip (4.) I.D. Number	Profit Sharing %	Georgia Source Income
A	1.		5.	6.
	2.			
	3.			
	4.			
B	1.		5.	6.
	2.			
	3.			
	4.			
C	1.		5.	6.
	2.			
	3.			
	4.			
D	1.		5.	6.
	2.			
	3.			
	4.			
E	1.		5.	6.
	2.			
	3.			
	4.			
TOTAL				

ADDITIONS TO FEDERAL INCOME

(ROUND TO NEAREST DOLLAR)

SCHEDULE 4

1. State and municipal bond interest other than Georgia or political subdivision thereof	1.	
2. Net income or net profits taxes imposed by taxing jurisdictions other than Georgia	2.	
3. Expenses attributable to tax exempt income	3.	
4. Other additions (Attach schedule)	4.	
5.	5.	
6.	6.	
7. Total (Add Lines 1 through 6) Enter here and on Line 9, Schedule 7	7.	

SUBTRACTIONS FROM FEDERAL INCOME

(ROUND TO NEAREST DOLLAR)

SCHEDULE 5

1. Interest on obligations of United States
2. Other subtractions (Attach schedule)
3.
4.
5. Total (Add Lines 1 through 4) enter here and on Line 11, Schedule 7

1.	
2.	
3.	
4.	
5.	

APPORTIONMENT OF INCOME

(ROUND TO NEAREST DOLLAR)

SCHEDULE 6**(Part 1)**

1. Inventories
2. Buildings (cost)
3. Machinery & Equipment
4. Land
5. Other Tangible Assets ...
6. Total (Lines 1 through 5)
7. Average (Add columns a & b and divide by 2)
8. Rented Property (Annual Rate x 8)
9. Total Property (Add Lines 7 and 8)

WITHIN GEORGIA		TOTAL EVERYWHERE	
a. Beginning of Year	b. End of Year	b. Beginning of the Year	b. End of Year

(Part 2)

1. Total Property (Part 1 Line 9)
2. Salaries, commissions, wages & compensation
3. Gross receipts from business
4. Georgia ratio (Total Column e)

a. Within Georgia	b. Everywhere	c. Do not round Column (a)/Column (b) Compute to six decimals	d. Factors See Instructions on pg 3	e. Do not round Column (c) x Column (d) Georgia Factor Compute to six decimals

COMPUTATION OF TOTAL INCOME FOR GEORGIA PURPOSES (ROUND TO NEAREST DOLLAR)**SCHEDULE 7**

1. Ordinary income (loss)
2. Net income (loss) from rental real estate activities
3. a. Gross income from other rental activities 3a.
- b. Less expenses (attach schedule) 3b.
- c. Net income (loss) from other rental activities (Line 3a less Line 3b)
4. Portfolio income (loss): a. Interest Income
- b. Dividend Income
- c. Royalty Income
- d. Net short-term capital gain (loss)
- e. Net long-term capital gain (loss)
- f. Other portfolio income (loss)
5. Guaranteed payments to partners
6. Net gain (loss) under Section 1231
7. Other Income (loss)
8. Total Federal income (add Lines 1 through 7)
9. Additions to Federal income (Schedule 4, Line 7)
10. Total (add Lines 8 and 9)
11. Subtractions from Federal income (Schedule 5, Line 5)
12. Total income for Georgia purposes (Line 10 less Line 11)

1.	
2.	
3a.	
3b.	
3c.	
4a.	
4b.	
4c.	
4d.	
4e.	
4f.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	

GEORGIA COUNTY CODE NUMBERS

001 - Appling	054 - Evans	107 - Newton
002 - Atkinson	055 - Fanning	108 - Oconee
003 - Bacon	056 - Fayette	109 - Oglethorpe
004 - Baker	057 - Floyd	110 - Paulding
005 - Baldwin	058 - Forsyth	111 - Peach
006 - Banks	059 - Franklin	112 - Pickens
007 - Barrow	060 - Fulton	113 - Pierce
008 - Bartow	061 - Gilmer	114 - Pike
009 - Ben Hill	062 - Glascock	115 - Polk
010 - Berrien	063 - Glynn	116 - Pulaski
011 - Bibb	064 - Gordon	117 - Putnam
012 - Bleckley	065 - Grady	118 - Quitman
013 - Brantley	066 - Greene	119 - Rabun
014 - Brooks	067 - Gwinnett	120 - Randolph
015 - Bryan	068 - Habersham	121 - Richmond
016 - Bulloch	069 - Hall	122 - Rockdale
017 - Burke	070 - Hancock	123 - Schley
018 - Butts	071 - Haralson	124 - Screven
019 - Calhoun	072 - Harris	125 - Seminole
020 - Camden	073 - Hart	126 - Spalding
021 - Candler	074 - Heard	127 - Stephens
022 - Carroll	075 - Henry	128 - Stewart
023 - Catoosa	076 - Houston	129 - Sumter
024 - Charlton	077 - Irwin	130 - Talbot
025 - Chatham	078 - Jackson	131 - Taliaferro
026 - Chattahoochee	079 - Jasper	132 - Tattnall
027 - Chattooga	080 - Jeff Davis	133 - Taylor
028 - Cherokee	081 - Jefferson	134 - Telfair
029 - Clarke	082 - Jenkins	135 - Terrell
030 - Clay	083 - Johnson	136 - Thomas
031 - Clayton	084 - Jones	137 - Tift
032 - Clinch	085 - Lamar	138 - Toombs
033 - Cobb	086 - Lanier	139 - Towns
034 - Coffee	087 - Laurens	140 - Treutlen
035 - Colquitt	088 - Lee	141 - Troup
036 - Columbia	089 - Liberty	142 - Turner
037 - Cook	090 - Lincoln	143 - Twiggs
038 - Coweta	091 - Long	144 - Union
039 - Crawford	092 - Lowndes	145 - Upson
040 - Crisp	093 - Lumpkin	146 - Walker
041 - Dade	094 - Macon	147 - Walton
042 - Dawson	095 - Madison	148 - Ware
043 - Decatur	096 - Marion	149 - Warren
044 - DeKalb	097 - McDuffie	150 - Washington
045 - Dodge	098 - McIntosh	151 - Wayne
046 - Dooly	099 - Meriwether	152 - Webster
047 - Dougherty	100 - Miller	153 - Wheeler
048 - Douglas	101 - Mitchell	154 - White
049 - Early	102 - Monroe	155 - Whitfield
050 - Echols	103 - Montgomery	156 - Wilcox
051 - Effingham	104 - Morgan	157 - Wilkes
052 - Elbert	105 - Murray	158 - Wilkinson
053 - Emanuel	106 - Muscogee	159 - Worth

CORPORATE PARTNERS OF PARTNERSHIPS

A corporation will be considered to be owning property or doing business in Georgia whenever the corporation is a partner, whether limited or general, in a partnership which owns property or does business in Georgia. This treatment of corporate partners is set forth in Regulations 560-7-7-.03, 560-7-3-.08, and 560-7-8-.34, which were amended in 2001. The amended regulations apply to taxable years beginning on or after January 1, 2002.

LIMITED LIABILITY COMPANY

Each limited liability company and foreign limited liability company shall be classified as a partnership for Georgia tax purposes unless classified otherwise for Federal income tax purposes, in which case the limited liability company or foreign limited liability company shall be classified for Georgia tax purposes in the same manner as it is classified for federal income tax purposes.

NET WORTH TAX

The Partnership Return is an information return only. Partnerships are not subject to net worth tax.

INSTRUCTIONS FOR PARTNERSHIPS WITH NONRESIDENT PARTNERS

Nonresident partners of partnerships doing business both within and without Georgia shall compute their proportionate part of the partnership's allocated and apportioned income from the schedules on Form 700. The Georgia net income computed on Line 7 of Schedule 1 should be multiplied by the percentage of ownership to determine the Georgia income of the nonresident. Additionally, the portion of the IRC Section 179 expense attributable to Georgia that was not included in Georgia net income and that has been allowed on the taxpayer's federal tax return can be subtracted on the partner's Georgia return.

A partnership that owns property or does business within this State is required by O.C.G.A. §48-7-129 to withhold on distributions paid or credited to its nonresident partners. The withholding tax rate is 4%. Withholding is not required if the aggregate annual distributions paid or credited to each partner are less than \$1,000. As an alternative to withholding, the partnership may file a composite return (Form IT-CR) for its nonresident partners. Nonresident partners may only be included on the composite return if they have no other Georgia source income. Permission is not required to file a composite return. Please check the Composite Return Filed box on Page 1 of Form 700. For composite return filing information, call (404) 417-2300.

Subsection (c) of O.C.G.A. §48-7-24 provides an exemption from Georgia income taxation for a nonresident partner who receives income from a partnership which derives income exclusively from buying, selling, dealing in, and holding securities on its own behalf and not as a broker. Accordingly, withholding under O.C.G.A. §48-7-129 would not apply to distributions paid or credited in this situation. Note: This subsection does not apply to a family limited partnership the majority interest of which is owned by one or more natural or naturalized citizens related to each other within the fourth degree of reckoning according to the laws of descent and distribution.

GUARANTEED PAYMENT EXAMPLE

The following example illustrates how guaranteed payments should be treated when there is a nonresident partner. There are two partners in the partnership. Partner one is a resident of Georgia and owns 25% of the partnership. Partner one receives a guaranteed payment of \$10. Partner number two is a nonresident of Georgia and owns 75% of the partnership. Partner two receives a guaranteed payment of \$40. The profit and loss sharing ratio is the same as the ownership percentage. The Georgia apportionment ratio on line 4, part 2, schedule 6, of Form 700 is 50%.

Ordinary income reported on line 1, schedule 7, of Form 700	\$100
Guaranteed payment reported on line 5, schedule 7, of Form 700	<u>\$ 50</u>
Total income for Georgia purposes, line 12, schedule 7, of Form 700	\$150

Partner one (resident) is required to report \$35 on their Georgia return. The entire \$10 guaranteed payment plus their share of the ordinary income of the partnership \$25 (\$100 ordinary income placed on line 1, schedule 7, of Form 700 multiplied by their ownership percentage of 25%). Partner two (nonresident) is required to report \$57.50 on their Georgia return. The Georgia portion of the guaranteed payment \$20 (\$40 guaranteed payment multiplied by the Georgia ratio of 50%) plus their share of the Georgia portion of the ordinary income of the partnership \$37.50 (\$100 ordinary income placed on line 1, schedule 7, of Form 700 multiplied by their ownership percentage of 75% multiplied by the Georgia ratio of 50%).

TAX CREDITS

<u>Credit Type Code</u>	<u>Description</u>
101	Employer's Credit for Basic Skills Education. This is a credit for providing or sponsoring basic skills education that enhances reading, writing or mathematical skills up to and including the 12th grade or classes to receive a GED certificate. This credit should be claimed on Form IT-BE. For more information, refer to O.C.G.A. §48-7-41.
102	Employer's Credit for Approved Employee Retraining. This credit is for retraining programs that enhance the functional skills of employees otherwise unable to function effectively on the job due to skill deficiencies or who would be displaced because such deficiencies would inhibit their use of new technology. This credit should be claimed on Form IT-RC. For more information, refer to O.C.G.A. §48-7-40.5.
103	Employer's Jobs Tax Credit. This is a statewide jobs tax credit for certain business enterprises that have hired sufficient numbers of employees. This credit allows certain business enterprises to offset in come taxes and, in some instances, receive a credit of withholding dollars which would otherwise be paid in accordance with O.C.G.A. §48-7-103. Also, there are now four tiers in the state and the credit values have increased for each county. This credit should be claimed on Form IT-CA. For more information, refer to O.C.G.A. §48-7-40 and 48-7-40.1.
104	Employer's Credit for Purchasing Child Care Property. This credit is allowed when an employer places into service qualified child care property. The credit cannot equal more than 50% of the employer's Georgia income tax liability for the tax year. This credit should be claimed on Form IT-CCC100. For more information, refer to O.C.G.A. §48-7-40.6.
105	Employer's Credit for Providing or Sponsoring Child Care for Employees. This credit is for employer-provided or sponsored child care. The credit cannot be more than 50% of the taxpayer's total state income tax liability for that taxable year. This credit should be claimed on Form IT-CCC75. For more information, refer to O.C.G.A. §48-7-40.6.
106	Manufacturer's Investment Tax Credit. This credit is based on the same four tiers as the Employer's Jobs Tax Credit and requires certain minimum expenditures. Employers must purchase or acquire qualified investment property pursuant to an approved project plan. Taxpayers should submit application Form IT-APP to obtain approval to claim this credit. For more information, refer to O.C.G.A. §48-7-40.2, 40.3, and 40.4.
107	Optional Investment Tax Credit. This credit is similar to the Manufacturer's Investment Tax Credit; however, there are higher spending thresholds as well as a ten-year calculation. Taxpayers should submit application Form IT-OIT-APP to obtain approval to claim this credit. For more information, refer to O.C.G.A. §48-7-40.7, 40.8, and 40.9.
108	Qualified Transportation Credit. This is a credit of \$25 per employee for any "qualified transportation fringe benefit" provided by an employer to an employee as described in Section 132(f) of the IRS Code of 1986. For more information, refer to O.C.G.A. §48-7-29.3.
109	Low Income Housing Credit. This is a credit against Georgia income taxes for taxpayers owning an interest in a federally qualified housing project in Georgia. The credit is equal to the portion of the federal housing tax credit which is related to Georgia projects. This credit should be claimed on Form IT-HC. For more information, refer to O.C.G.A. §48-7-29.6.
110	Diesel Particulate Emission Reduction Technology Equipment. This is a credit given to any person who installs diesel particulate emission reduction equipment at any truck stop, depot, or other facility. For more information, refer to O.C.G.A. §48-7-40.19.
111	Business Enterprise Vehicle Credit. This is a credit for a business enterprise for the purchase of a motor vehicle that is used exclusively to provide transportation for its employees. In order to qualify, a business enterprise must certify that each vehicle carries an average daily ridership of not less than four employees for an entire taxable year. This credit cannot be claimed if the low or zero emission vehicle credit was claimed at the time the vehicle was purchased. For more information, refer to O.C.G.A. §48-7-40.22.
112	Research Tax Credit. This credit is for expenses resulting from research conducted in Georgia by businesses engaged in the manufacturing, warehousing and distribution, processing, telecommunications tourism, or research and development industries. This credit should be claimed on Form IT-RD. For more information, refer to O.C.G.A. §48-7-40.12.
113	Small Business Growth Tax Credit. This is a credit for businesses engaged in the manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries. The credit is available to companies whose total tax liability does not exceed \$1.5 million. This credit should be claimed on Form IT-RG. For more information, refer to O.C.G.A. §48-7-40.13.
114	Headquarters Tax Credit. This credit is for businesses establishing or relocating their headquarters to

TAX CREDITS (continued)

Credit Type Code	Description
	Georgia under certain conditions. The credit may be used to offset 100% of the Georgia income tax liability in a taxable year. If the credit exceeds the tax liability in a taxable year, the excess may be taken as a credit against withholding tax. This credit should be claimed on Form IT-HQ. For more information, refer to O.C.G.A. §48-7-40.17.
115	Port Activity Tax Credit. This credit is for businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development that have increased their port traffic tonnage through Georgia ports in the previous 12 months. For more information, refer to O.C.G.A. §48-7-40.15.
116	Bank Tax Credit. All financial institutions that conduct business or own property in Georgia are required to file a Georgia Financial Institutions Business Occupation Tax Return, Form 900. Effective on or after January 1, 2001, a depository financial institution with a Sub S election can pass through the credit to its shareholders on a pro rata basis. For more information, refer to O.C.G.A. §48-7-29.7.
117	Low Emission Vehicle Credit. This is a credit, of the lesser of 10% of the cost of the vehicle or \$2,500, for the purchase or lease of a new low emission vehicle. Also there is a credit for the conversion of a standard vehicle to a low emission vehicle which is equal to 10% of the cost of conversion, not to exceed \$2,500 per converted vehicle. Certification approved by the Environmental Protection Division of the Department of Natural Resources must be included with the return for any credit claimed under this provision. A statement from the vehicle manufacturer is not acceptable. A "low speed vehicle" does not qualify for this credit. For more information, refer to O.C.G.A. §48-7-40.16.
118	Zero Emission Vehicle Credit. This is a credit of the lesser of 20% of the cost of the vehicle or \$5,000, for the purchase or lease of a new zero emission vehicle. Also there is a credit for the conversion of a standard vehicle to a zero emission vehicle which is equal to 10% of the cost of conversion, not to exceed \$2,500 per converted vehicle. Certification approved by the Environmental Protection Division of the Department of Natural Resources must be included with the return for any credit claimed under this provision. A statement from the vehicle manufacturer is not acceptable. A zero emission vehicle is a motor vehicle which has zero tailpipe and evaporative emissions as defined under rules and regulations of the Board of Natural Resources and includes an electric vehicle whose drive train is powered solely by electricity, provided the electricity is not generated by an on-board combustion device. A "low speed vehicle" does not qualify for this credit. For more information, refer to O.C.G.A. §48-7-40.16.
119	Cigarette Export Credit. This is a tax credit for the shipment of cigarettes manufactured anywhere in the United States to a foreign country. For additional information refer to O.C.G.A. §48-7-40.20.
120	New Manufacturing Facilities Jobs Credit. In order to qualify, \$450 million in qualified investment property must be purchased for the project. The manufacturer must also create at a minimum, 1,800 new jobs within a six-year period; and can receive credit for up to a maximum of 3,300 jobs. After an affirmative review of their application by a panel, the manufacturer is rewarded with the new job tax credit. The credit is \$5,250 per job created. There is a 10-year carry forward of any unused tax credit. For more information, refer to O.C.G.A. §48-7-40.24.
121	Electric Vehicle Charger Credit. This is a credit for a business enterprise for the purchase of an electric vehicle charger located in the State of Georgia. The credit allowed is the lesser of 10% of the cost of the charger or \$2,500. For more information, refer to O.C.G.A. §48-7-40.16.
122	New Manufacturing Facilities Property Credit. This is an incentive for a manufacturer who has operated a manufacturing facility in this state for at least 3 years and who spends \$800 million on a new manufacturing facility in this state. There is also the requirement that the number of full-time employees equal or exceed 1,800. However, these do not have to be new jobs to Georgia. An application is filed which a panel must approve. The benefit awarded to a manufacturer is a credit against taxes equal to 6 percent of the cost of all qualified investment property purchased or acquired. The total credit allowed is limited to \$50 million. The credit offsets any income tax and any excess is allowed as a credit to offset withholding taxes. There is a 15-year carry forward of any unused tax credit. For more information, refer to O.C.G.A. §48-7-40.25.

FUTURE TAX CREDITS

For taxable years beginning on or after January 1, 2004, a nonrefundable credit not to exceed \$5,000 will be available for the certified rehabilitation of a certified structure or historic home. Standards set by the Department of Natural Resources must be met. For additional information, refer to O.C.G.A. §48-7-29.8.

For more details about tax credits and forms, visit our website at www.gatax.org/departments/dor/inctax/taxcredits.shtml.

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